

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4090-01  
Bill No.: HB 1535  
Subject: Administration, Office of; State Employees  
Type: Original  
Date: February 26, 2008

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Bill Summary: This proposal modifies the state employee payroll deductions for health insurance to include cafeteria plan fees.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$150,000	\$300,000	\$300,000
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$150,000</b>	<b>\$300,000</b>	<b>\$300,000</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Accounting** assume this is a tax savings to state employees and to the state in the amount of FICA paid and a tax decrease to the state tax withholdings. To calculate the amount of savings to the State in the form of FICA payments not made and the loss to the state revenue from the state tax withheld it is the following equations.

- Current amount of health care deductions not being withheld tax free through the cafeteria plan X 7.65% for FICA match (employer share).
- Same amount X 6% State Tax rate = affected State Tax withheld.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE</b>			
<u>Savings</u> - General Revenue			
FICA not paid	\$550,000	\$1,100,000	\$1,100,000
<u>Loss</u> - General Revenue			
reduction of state tax withheld	<u>(\$400,000)</u>	<u>(\$800,000)</u>	<u>(\$800,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$150,000</u></b>	<b><u>\$300,000</u></b>	<b><u>\$300,000</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

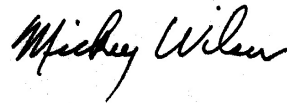
### FISCAL DESCRIPTION

This bill allows a deduction for cafeteria plan administrative fees from a state employee's compensation except when the employee affirmatively elects not to participate in the plan.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of Administration  
Division of Accounting  
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
February 26, 2008